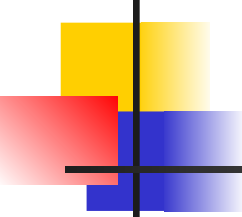


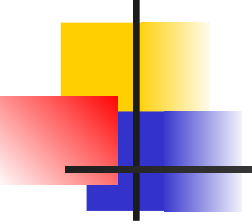
Role of the Naval Audit Service

DON Management Control Conference
11 March 2004



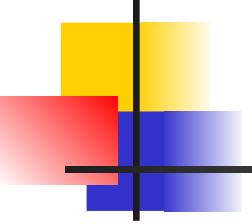
Naval Audit Service (NAVAUDSVC) Role- Pre FY 2001

- Evaluated Year-End Navy Statement of Assurance (SOA).
 - Compared Navy SOA to Echelon 1 and 2 Command Supporting Management Control Certification Statements (MCCSs).
 - Unreported material weaknesses.
 - Reviewed form and content of Navy SOA.
 - Compared material weaknesses identified during audits to Navy SOA.
- NAVAUDSVC Opinion on Navy SOA.
 - Unqualified opinion- except for material weaknesses.
- NAVAUDSVC Program Audits.
 - Understand and test relevant management controls/report material weaknesses.
 - No requirement to evaluate MCP administrative requirements.
 - Same requirement at present time.



NAVAUDSVC Role FY 2001 to FY 2003

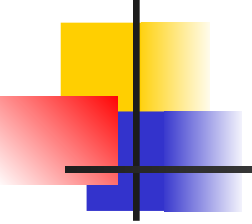
- FY 2001 Activities Reviewed.
 - CNO.
 - US Fleet Forces Command- Atlantic and Pacific Fleets.
 - Selected subordinate activities.
 - Naval Education and Training Command.
 - Naval Air Station Pensacola.
 - US Marine Corps.
 - Marine Corps Air Station Cherry Point, NC.
 - Marine Corps Base Camp Lejeune, NC.
 - Eight of fourteen other Echelon 1 activities.
- FY 2002 Activities Reviewed- CNO.
 - Naval Sea Systems Command, Washington DC.
 - Norfolk Naval Shipyard, Portsmouth, VA.
 - Naval Surface Warfare Center, Dahlgren, VA.



NAVAUDSVC Role FY 2001 to FY 2003

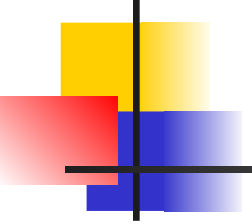
- FY 2002 Activities Reviewed- CNO.
 - Military Sealift Command (MSC), Washington DC.
 - MSC Atlantic, Virginia Beach, VA.
 - MSC Pacific, San Diego, CA.

- FY 2003 Activities Reviewed- CNO.
 - Bureau of Medicine and Surgery, Washington DC.
 - Naval Medical Center Portsmouth, VA.
 - Naval Hospital Jacksonville, FL.
 - Naval Facilities Engineering Command (NAVFAC), Washington DC.
 - Atlantic Division, NAVFAC, Norfolk, VA.



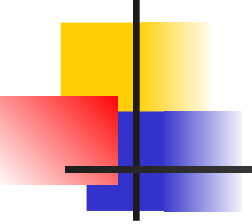
NAVAUDSVC Role FY 2001 to FY 2003

- Audit Approach.
 - Echelon 2 Command Level and two subordinate activities.
 - MCP Coordinator level and Directorate level (three to four representative Directorates including Comptroller at each activity).
 - Determine whether Management Control Plan prepared for activity.
 - Interview MCP Coordinator and key managers in selected Directorates/obtain documentation.
 - Ascertain key functions/high risk areas.
 - Look for documentation that meets spirit and intent of Assessable Unit requirements.



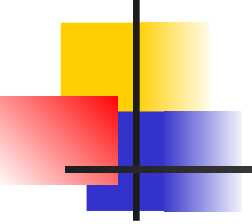
NAVAUDSVC Role FY 2001 to FY 2003

- Interview MCP Coordinator and key managers in selected Directorates/obtain documentation.
 - For key areas reviewed, determine how manager assesses management controls and what documentation is maintained.
 - Identify internal/external evaluation tools- MCP purposes or manager's purposes.
 - Look for internal/external management control evaluation related documentation that meets spirit and intent of MCP requirements.
 - Examples- strategic plans, risk assessments, metrics, internal studies, self assessments, Management Control Evaluations, inspections, audits.
 - Determine whether evaluation efforts disclose unreported material weaknesses.
- Determine whether activity maintains tracking system for material weaknesses.



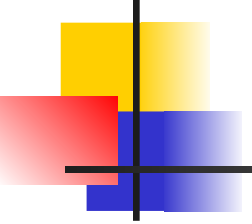
NAVAUDSVC Role FY 2001 to FY 2003

- Determine whether MCP Coordinator and functional managers receive management control related training.
- Determine whether key activity leadership has management controls in performance standards.
- Review internal/external sources that that may disclose unreported material weaknesses for the activity.
 - Hotline complaints/Command Evaluations.
 - NAVAUDSVC/DoDIG/GAO audit reports, Naval IG investigations.
- Test management controls in key areas within Directorates (except for FY 2001).
- Issue Opinion on Navy SOA.
 - Incorporates NAVAUDSVC review at selected commands/material weaknesses identified during audits/CFO related audit results.



FY 2004 Audit Plans

- Same Approach.
 - Will modify as needed when new SECNAVINST 5200.35E issued.
 - Approach presumes same NAVAUDSVC role.
 - Certain activity requirements may change.
 - NAVAUDSVC selecting sites for review at present time.



Summary

- FMFIA requirements/ management controls are currently high visibility issues in Navy.
- NAVAUDSVC looking for management processes/documentation that meet FMFIA spirit and intent- not specific forms/reports.
- Future NAVAUDSVC FMFIA related audits will likely use FY 2001-2003 audit approach- not prior year cursory reviews.